

FIRST TERM EXAMINATION (2024-2025)  
CLASS XII - ECONOMICS (030)

MM 80

TIME 3 HOURS

GENERAL INSTRUCTIONS

1. This question paper contains two parts  
Part A - Macroeconomics (65 marks)  
Part B - Indian Economic Development (15 marks)
2. Marks for questions are indicated against each question.
3. Question No. 1-18 and 30-31 are 1 mark question and are to be answered in one word / sentence each.
4. Case Base questions are question no. 14 -17
5. Question No. 19-21 and 32 are 3 marks question and are to be answered in 60-80 words each.
6. Question No. 22-26 and 33 are 4 marks question and are to be answered in 80-100 words each.
7. Question No. 27-29 and 34 are 6 marks questions and are to be answered in 100-150 words each.

PART A - MACROECONOMICS

- Q1 The consumption function of an economy is given by the equation  $C = 400 + .60 Y$  and  $Y = 1000$ . Savings at zero level of income will be (1)  
(a) 400 (b) -400 (c) 1100 (d) 800
- Q2 Which of the following is not a function of commercial bank (1)  
(a) Issue of currency (c) Giving loans to public  
(b) Accepting deposits from public (d) None of the above
- Q3 \_\_\_\_\_ is a Capital receipt of the government. (1)  
(a) Income tax (c) License fee received by government  
(b) Profits of PSU (d) Borrowing from Japan for construction of metro
- Q4  $MPC + APC = 1$  (True / False) (1)
- Q5 Statement 1 : Double counting leads to underestimation of GDP. (1)  
Statement 2 : Double counting can be avoided only by using value added method.  
(Choose the correct alternative)  
(a) Both the statements are true.  
(b) Both the statements are false.  
(c) Statement 1 is true and Statement 2 is false.  
(d) Statement 2 is true and Statement 1 is false.
- Q6 Assuming real income to be ₹200 crore and price index to be ₹135, Nominal income will be (1)  
(a) ₹270 Cr. (b) ₹135 Cr. (c) ₹200 Cr. (d) ₹540 Cr.
- Q7 Choose the correct alternative (1)  
Assertion (A) : Recovery of loan are non-debt creating capital receipts.  
Reason (R) : Recovery of loan do not cause any debt creation as they result from reduction in assets of the government.  
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation for Assertion (A)  
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation for Assertion (A)  
(c) Assertion (A) is true and but Reason (R) is false.  
(d) Assertion (A) is false and Reason (R) is true.
- Q8 Which of the following is direct tax? (1)  
(a) Entertainment tax (c) Wealth tax  
(b) Service tax (d) GST

Q9 Choose the correct alternative (1)

(A) Autonomous transactions	(i) Current account of BoP
(B) Sale of capital goods to RoW	(ii) Cause disequilibrium in BoP
(C) Inflow of FDI	(iii) Encourages exports
(D) Depreciation of currency	(iv) Capital account of BoP

- (a) A ii, B i, C iv, D iii (c) B i, A iii, D ii, C iv  
(b) A ii, B iv, C i, D iii (d) C i, B iii, A ii, D iv

Q10 GDP exceeds NDP by (1)

- (a) Amount of total taxes (c) Transfer payments  
(b) Government expenditure (d) difference between gross investment and net investment

Q11 Choose the correct alternative (1)

Assertion (A) : Foreign Direct investments are recorded in the capital account of balance of payments.

Reason (R): Foreign Direct Investment cause a change in the assets of the country.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation for Assertion (A)  
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation for Assertion (A)  
(c) Assertion (A) is true and but Reason (R) is false.  
(d) Assertion (A) is false and Reason (R) is true.

Q12 If *planned savings* falls short of *planned investments* in the economy, its likely impact will be to \_\_\_\_\_ (increase / decrease) output and employment in the economy. (1)

OR

Statement 1 : At full employment, output is maximum.

Statement 2 : Economy can operate at underemployment and over-employment as well.

(Choose the correct alternative)

- (a) Both the statements are true.  
(b) Both the statements are false.  
(c) Statement 1 is true and Statement 2 is false.  
(d) Statement 2 is true and Statement 1 is false.

Q13 The Central Bank can decrease the availability of credit by (1)

- (a) Reducing the repo- rate (c) Buying government securities  
(b) Reducing the reverse repo-rate (d) Selling government securities

Read the following information carefully and answer the questions 14-17 on the basis of the following.

"India's exports fell for the fourth straight month in June as shipments of key segments like petroleum and textiles declined but the country's trade turned surplus for the first time in 18 years as imports dropped by a steeper 47.95%. The country posted a trade surplus of USD 0.79 billion in June.

-AFPA, blog, August 2, 2018

Q14 The above transaction will be recorded in \_\_\_\_\_ account of BOP. (1)

- (a) Current (b) Capital (c) Both (a) and (b) (d) Neither (a) nor (b)

Q15 A situation of excess exports over imports of goods is called : (1)

- (a) trade surplus (c) Capital account surplus  
(b) current account surplus (d) capital transactions

Q16 Export of petroleum will be recorded on \_\_\_\_\_ side of BOP. (credit/debit) (1)



- Q17 Exports of goods and services is an accommodating transaction. ( True / False ) (1)
- Q18 The rate of interest which the commercial banks are entitled to when they lend their surplus fund to RBI is called \_\_\_\_\_. (1)
- (a) Bank rate (b) Reverse Repo Rate (c) Repo Rate (d) None of these
- Q19 How will the following be treated while estimating National Income of India? Give reasons for your answer (3)
- (i) Remittance from abroad  $\times$
- (ii) Purchase of cotton by a cotton textile firm.  $R_n = I_c = \times$
- (iii) Purchase of a refrigerator by a restaurant.

Q20 Explain the Banker's bank function of Central bank. (3)

OR

Briefly discuss the main components of money supply.

Q21 Differentiate between direct tax and indirect tax collected by the government. Give examples of each (3)

OR

Explain how the government can use the instrument of budget to reallocate resources.

Q22 What is meant by "Floating exchange rate system"? Give two merits and two demerits of this system. (4)

OR

Explain the main components of Capital account of Balance of Payments.

Q23 If in an economy  $S = 300 + .25Y$  and  $I = 300$ , calculate (a) the equilibrium level of Income and (b) Consumption at equilibrium level. (4)

OR

What is meant by investment multiplier? Explain the working of multiplier with the help of a numerical example.

Q24 Distinguish between (i) Revenue receipt and Capital receipt and (ii) Revenue Deficit and Fiscal deficit (4)

Q25 Calculate Net Value Added at Factor Cost from the following data (4)

S. No.	Particulars	Amount (in ₹Crores)
(i)	Domestic sales	1080
(ii)	Domestic Purchase of non-durable producer goods	360 $I_c$
(iii)	Exports	120
(iv)	Depreciation of fixed capital	45
(v)	Imports of raw materials	60 $I_c$
(vi)	Increase in stocks	120
(vii)	Indirect taxes	30
(viii)	Profit	150
(ix)	Import of machinery	70
(x)	Subsidies	50
(xi)	Sales tax	10

Q26 Explain the process of money creation by commercial bank using initial deposit to be ₹10,000 and LRR as 10%. (4)

Q27 Explain the determination of equilibrium level of income and employment using Planned saving - planned investment approach with the help of a diagram. Discuss the working of the adjustment mechanism in an economy if Planned expenditure > Planned output. (6)

$Sales + \Delta stock + Production of sell$

$10 \times 200$

$AD = C + I + G$

$AD = C + I + G = Y$   
 $C + I = C + I = Y$

Q28 Explain the concept of inflationary gap. Suggest any two monetary policy measures to control the situation. (6)

Q29 Given the following data calculate the values of Gross Domestic Product at factor cost using (i) Income Method and (ii) Expenditure Method

S. No.	Particulars	Amount (in ₹ Crores)
(i)	Current replacement cost	5
(ii)	Private Final Consumption Expenditure	335
(iii)	Employers contribution to social security scheme of employee	10
(iv)	Wages and Salaries	300
(v)	Net Imports	5
(vi)	Operating surplus	50
(vii)	Net Indirect Tax	25
(viii)	Government Final Consumption Expenditure	20
(ix)	Net domestic capital formation	35
(x)	Change in stock	5
(xi)	Net Factor Income to abroad	5

OR

Briefly explain the steps used in the calculation of National Income by Product method. Also discuss any two main precautions that should be taken. (6)

#### PART B – INDIAN ECONOMIC DEVELOPMENT

Q30 Choose the correct alternative (1)

Assertion (A) : India enjoyed trade surplus during the colonial rule.

Reason (R) : During the British rule India exported more of raw material to Britain than importing finished product.

- Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation for Assertion (A)
- Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation for Assertion (A)
- Assertion (A) is true and but Reason (R) is false.
- Assertion (A) is false and Reason (R) is true.

Q31 Import Sub. refers to the development through domestic resources and avoiding imports. (1)

Q32 Discuss the main features of Industrial Policy resolution of 1956. (3)

OR

Why was public sector given importance in the initial stages of planning?

Q33 Critically examine some of the features of India's Industrial sector under the British rule. (4)

Q34 Discuss the impact of Green revolution on the Indian agricultural sector. MCS (6)

OR

Briefly discuss the main long term objectives of economic planning in India after independence.

- ~~Maintain~~
- Market Surplus.
  - Benefits low income groups.
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